CANADIAN RESERVE OIL AND GAS LTD.
annual report 1971


SIBERIA
ARCTIC
OCEAN
ARCTIC ISANDS
See map on page 11
ELLESMERE
ISLAND
AXEL
HEIBERG
IS.
PRUDHOE BAY
BEAUFORT
SEA
MELVILLE IS.
DEVON
BANKS
IS.
ALASKA
ARCTIC ISLAND
AMUNDSEN
GULF
VICTORIA
ISLAND
INUVIK
VALDEZ
YUKON
MAYO
See map on page 13
ANVIL
NORMAN
WELLS
GREAT
BEAR
LAKE
WHITEHORSE
YUKON -
NORTHWEST TERRITORIES
See map on page 10
NORTHWEST
TERRITORIES
YELLOWKNIFE
MACKENZIE
RIVER
GREAT
SLAVE
LAKE
N.E. BRITISH
COLUMBIA
See map on page 5
PACIFIC
OCEAN
ALBERTA
BRITISH
COLUMBIA
MANITOBA
HEAVY OIL
See maps on pages 8 & 9
EDMONTON
LONE PINE -
CROSSFIELD
See map on page 7
CALGARY
VANCOUVER
SASKATCHEWAN
REGINA
WINNIPEG
UNITED STATES OF AMERICA


Canadian Reserve Oil and Gas Ltd.
SCALE IN MILES
100 50 0 100 200 300
100% Working Interest
Partial Working Interest
Royalty Interest and Carried Interest
Mining Areas
Sedimentary Basins
GREENLAND
BAFFIN BAY
BAFFIN ISLAND
"PERMITS UNDER APPLICATION"
LABRADOR
NEWFOUNDLAND
EAST COAST OFFSHORE
See map on page 12
UDSON BAY
QUEBEC
GULF OF ST. LAWRENCE
P.E.I.
NEW BRUNSWICK
NOVA SCOTIA
SABLE ISLAND
HALIFAX
ATLANTIC OCEAN
ONTARIO
QUEBEC
MONTREAL
OTTAWA
TORONTO

1,744,905
1,692,995
51,910

1,741,761
1,150,953
590,808

CANADIAN RESERVE OIL AND GAS LTD.

HIGHLIGHTS 1971

	1971	1970	% Change
Gross revenue	**$6,347,451**	$5,113,063*	+ 24.1
Cash flow	**$3,759,544**	$2,934,639*	+ 28.1
Per share	**$ .40**	$ .34*	
Earnings before extraordinary item	**$1,692,995**	$1,150,953*	+ 47.1
Per share	**$ .18**	$ .13*	
Net earnings	**$1,744,905**	$1,741,761*	—
Per share	**$ .19**	$ .20*	
Working capital at year end	**$2,038,631**	$2,292,332	− 11.5
Property and equipment additions	**$6,608,426**	$2,981,673	+221.6
Oil and gas liquid sales-net barrels	**2,108,450**	1,997,891	+ 5.5
Per day	**5,777**	5,474	
Gas sales-net mcfs	**5,330,410**	4,612,591	+ 15.6
Per day	**14,604**	12,637	
Wells drilled-net			
Oil	**15**	14	
Gas	**1**	3	
Dry	**13**	11	
Acreage-net	**26,437,019**	22,900,000	+ 15.4
Outstanding shares	**9,516,226**	8,516,226	

**1970 Pro forma - restated to full cost method of accounting.*

ANNUAL MEETING

The Annual General Meeting of Shareholders of the Company will be held at the Calgary Inn, Calgary, Alberta, on April 25, 1972 at 10 A.M.

CONTENTS

To The Shareholders:

JOHN R. McMILLAN

PAUL D. MEADOWS

On behalf of the Board of Directors, we are pleased to present the Second Annual Report of Canadian Reserve Oil and Gas Ltd. for the year ended December 31, 1971.

The year 1971 was one in which solid progress was made by the Company in all phases of operations. Record new levels were attained in both production and gross income.

Gross revenue for the year was at a record high of $6,347,451, up 24.1 percent over the $5,113,063 recorded in the prior year. This gain resulted primarily from increased crude oil prices, increased producing rates and new pipeline operations.

Cash flow amounted to $3,759,544, compared with $2,934,639 in 1970. Major expenditures included $6,608,426 for additions to properties, $2,800,000 for bank debt retirement and $1,919,165 for retirement of production payment obligations. These heavy expenditures were mainly offset by the proceeds of the issue to the public during 1971 of 1,000,000 shares which netted the Company $5,963,337. Therefore, working capital decreased by only $253,701 in 1971, and remained at a satisfactory $2,038,631 level at year-end.

Net earnings totalled $1,744,905, amounting to 19¢ per share on the 9,516,226 shares outstanding during the year. This compares with net earnings in 1970 of $1,741,761, amounting to 20¢ per share on 8,516,226 shares then outstanding. The increase for 1971 would have been substantially greater except for the extraordinary item in 1970.

Exploration activity in the western provinces of Canada during the year remained at the approximate level of 1970. The outstanding feature of the year was the major new commitments made and the accelerated pace of exploration in Canada's frontier areas in the far north and off the East Coast.

In 1969 your Company acquired extensive frontier acreage holdings in the principal sedimentary basins of Canada. At that time, there had been no oil and gas discoveries north of Norman Wells in the Northwest Territories and no hydrocarbons had been found in the Arctic area or the East Coast region.

Since that time, Imperial Oil Co. Ltd. has reported 4 significant oil, gas and condensate discoveries on the Mackenzie Delta in the Northwest Territories and Panarctic Oils Ltd. has found gas and condensate at Drake Point on Melville Island and has discovered gas on King Christian Island. Subsequent to year-end, Panarctic has again scored with a gas discovery in its Kristoffer Bay G-06 well on Ellef Ringnes Island and reported recovery of "clean crude oil" on a drillstem test at 3,425 feet in its Romulus C-42 well on the Fosheim Peninsula of Ellesmere Island. Late in 1971, on the East Coast of Canada, Mobil Oil Canada Ltd., announced that they had discovered hydrocarbons in 17 zones in their E-48 well on Sable Island off Nova Scotia. Four of these zones produced both crude oil and natural gas, 12 flowed both natural gas and condensate, and 1 flowed gas alone.

The findings of these important discoveries now indicate that the Company's immense frontier holdings are definitely in basins capable of producing hydrocarbons. The discoveries in these 3 remote areas have provided tremendous impetus to further exploration with anticipated industry expenditures, primarily in exploratory drilling, in excess of $300 million in the Arctic Islands alone, between 1972 and 1976. In order to maintain its large land position in the Arctic Islands throughout this period of extensive exploration work, Canadian Reserve will pursue independent exploration programs to evaluate its more attractive lands, will participate in drilling where this seems feasible and will negotiate farmout ventures for exploration work by others.

Since the acquisition by Canadian Reserve of its extensive Canadian exploratory holdings in September 1969, the Company has completed eight substantial transactions with other companies which cover and validate the work requirements on a considerable portion of those holdings. The 3 latest of these transactions, in the form of farmout arrangements, are described in detail in the text of this report.

The foregoing joint venture transactions and farmout arrangements involve very little cash outlay by your Company. The greatest part of the funds involved will be provided by other companies, whose objectives are to acquire interests in the Canadian Reserve land holdings. In addition to these exploration funds, largely provided by others, Canadian Reserve has budgeted over $2.7 million for its share of exploration projects in 1972 on its widespread blocks of acreage.

Development drilling will also be stepped up in 1972 in Western Canada. Follow-up drilling programs have or will be undertaken in those areas where hydrocarbon discoveries or field extensions were made in 1971, including the Sextet region of northeast British Columbia, the Medicine Hat area of southern Alberta and the Manito-Kerrobert heavy crude area of Saskatchewan.

Favorable drilling and pipeline operating results in the Saskatchewan heavy crude area, led your Company to acquire an additional 7½ percent interest in the Lone Rock-Kerrobert pipeline system, increasing its ownership to 47½ percent.

On December 7, 1971, the new Lone Pine Creek Gas Plant, in which Canadian Reserve owns a one-third interest, went on stream and is processing gas at rates which fully meet the plant operating forecasts. The plant operation is expected to contribute about $500,000 to Canadian Reserve's cash flow in 1972.

The Canadian petroleum industry will enjoy continued rapid expansion with attainment of proper incentives in the form of equitable tax legislation, realistic pricing of products and application of constructive and reasonable governmental regulations and controls. Your Company plans to participate in this expansion and anticipates improved performance and growth for 1972 and future years.

The Directors wish to express their recognition and appreciation to all employees for their contributions to the success of the Company.

For the Board of Directors

John R. McMillan

Chairman of the Board

Paul W. Meador

President

LAND

At year-end 1971, the Company held interests in 43.1 million gross acres and 26.4 million net undeveloped acres and overriding royalty interests on 5.1 million acres in British Columbia, Alberta, Saskatchewan and Manitoba, the Yukon and Northwest Territories, the Arctic Islands and off the east coast of Canada. In addition, productive land holdings of the Company in the western provinces of Canada amounted to 266,400 gross acres and 75,900 net acres.

During 1971 the Company, together with a joint owner, was granted a one-third interest in 19.5 million gross permit acres or 6.5 million net acres off the east coast of Canada, resulting in a major increase in the Company's land holdings for the year. The Company also expanded its land holdings in north-eastern British Columbia through farmouts from other companies and by provincial government land purchases. Three significant farmout agreements, involving substantial land holdings of the Company, were concluded prior to year-end.

In the Eagle Plains area of the Yukon Territory, Canadian Delhi Oil Ltd. and partners have agreed to complete a $700,000 exploration program by June 1, 1973 on 880,000 acres of Canadian Reserve permit holdings. Upon the completion of this expenditure, they will earn an undivided 30 percent interest in the farmout lands. Canadian Delhi has the option to earn a further 30 percent interest by completing an additional $700,000 of exploration work on the lands on or before June 1, 1975. In addition to the exploration commitment, Canadian Reserve also received a cash consideration.

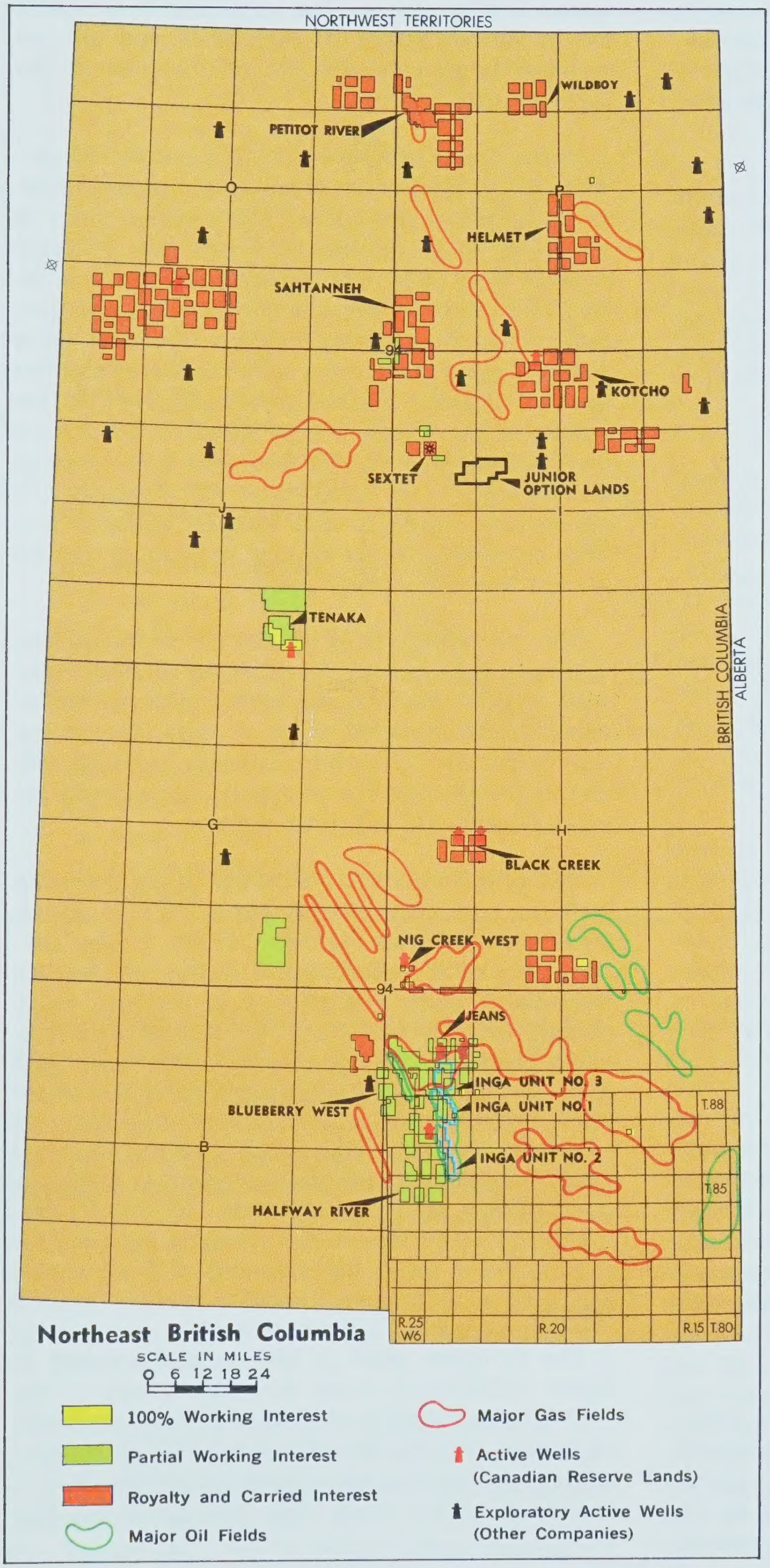
In the Northwest Territories, an agreement was concluded with Canadian Ashland Exploration Ltd. and partners on 664,000 permit acres owned by the Company in the Colville Lake area. Ashland et al have the right to earn a 50 percent interest in the lands by completing exploration commitments in the order of $1,400,000 on or before June 1, 1976. The agreement has two phases with Ashland et al earning a 25 percent interest prior to June 1, 1974 and a further 25 percent interest on or before June 1, 1976.

The total exploration funds to be expended in these two farmouts, if all commitments are fulfilled, will amount to $2,800,000.

In December 1971, Canadian Reserve concluded a farmout on 1,150,000 acres in the Cape Isachsen area in the Arctic Islands. These holdings are largely located in the inter-island ice area lying between 79 degrees and 80 degrees latitude and 99 degrees and 109 degrees longitude. Dome Petroleum Limited, the farmee, has agreed to comply with certain financial obligations and may elect to drill a well on or in the vicinity of the Canadian Reserve lands prior to August 1, 1975. In accordance with the terms of the farmout agreement, Dome is entitled to earn an undivided 50 percent interest in the Company's lands.

SUMMARY OF ACREAGE HOLDINGS

	Working Interests		Gross Overriding Royalty Interests
	Gross	Net	Gross
Oil and Gas Exploration Permits			
Yukon and Northwest Territories	3,957,357	3,099,277	2,786,103
Arctic Islands	11,438,068	10,064,070	1,412,455
Canadian East Coast Off-shore	25,595,592	12,568,056	—
Petroleum and Natural Gas Rights			
British Columbia	881,997	257,501	57,460
Alberta	922,545	240,924	188,444
Saskatchewan	527,393	204,178	627,824
Manitoba	24,946	3,013	—
TOTAL OIL AND GAS	43,347,898	26,437,019	5,072,286



EXPLORATION AND DEVELOPMENT

During 1971, Canadian Reserve continued an active exploration policy and engaged in a variety of exploration projects in British Columbia, Alberta, Saskatchewan, the Yukon and Northwest Territories, the Arctic Islands and offshore eastern Canada. Particular emphasis was placed on exploration for substantial gas reserves in the Middle Devonian reefs of Northeastern British Columbia and exploring and developing additional heavy crude oil reserves in the Lone Rock - Kerrobert area of Saskatchewan.

A summary of some of the more significant exploration and development activities undertaken or planned by the Company follows:

British Columbia

Canadian Reserve owns 722,034 gross (218,890 net) acres in Northeast British Columbia in addition to 38,611 net developed acres.

During 1971, the Northeast British Columbia area was the most active exploration area of Western Canada, as evidenced by land sale bonuses, geophysical crew-months and the number of wells announced for drilling during the 1971 - 1972 winter season.

Over the past two years, the Company has increased its exploration endeavors in this area, through subsurface geologic studies and a review of all available seismic data so as to develop exploratory prospects in search of large potential gas reserves in Middle Devonian reefs.

At year end, 1 well was drilling, 2 wells were in the process of completion and 6 wells were announced for drilling on lands in Northeast British Columbia in which the Company owns interests ranging from 11 percent to 50 percent.

Four of these wells were on carried interest lands and 4 were under farmout arrangements with other companies which will be drilled at no cost to Canadian Reserve. In addition, some 20 exploratory wells were drilling or announced for drilling by other operators in the Middle Devonian reef trend of Northeast British Columbia directly related to the evaluation of the Company's acreage holdings in this area.

One of the wells in process of completion at year-end was a gas discovery in the Debolt Formation of Mississippian Age at a depth of 6,360 feet. The well, Shenandoah et al Jeans, d-75-A, in which the Company owns a 10.83 percent interest, is located 12 miles northeast of the Inga Field. It was drilled at no cost to the Company under the terms of a farmout agreement and was completed in January 1972 with an open flow potential of 3.7 million cubic feet per day. Additional potentially productive shallower zones were programmed for testing by the operator.

Canadian Reserve participated for a 10.83 percent interest with other owners in jointly acquiring at a recent land sale 1,998 acres adjacent to the block of land on which the discovery well is located. Canadian Reserve's holdings in the vicinity of the discovery well now include a 10.83 percent interest in 11,850 acres and a 21.67 percent interest in 11,565 acres.

In 1971, the Company concluded a joint venture exploration program with another company to evaluate six specific Middle Devonian reef prospects. Total expenditures of $1.6 million for the six-prospect program are anticipated over the next two years, which will be paid 60 percent by the other company and 40 percent by Canadian Reserve, with interests in land and production to be owned 50 percent by each company.

One exploratory well in the Tenaka area, Canadian Reserve Adsett a-36-G, was drilling at year-end under the joint venture program and seismic operations were in progress which could result in the drilling of 2 other prospects during the current winter drilling season. The remaining 3 prospects are in various stages of exploration and are not expected to be evaluated for drilling prior to the winter of 1972-1973.

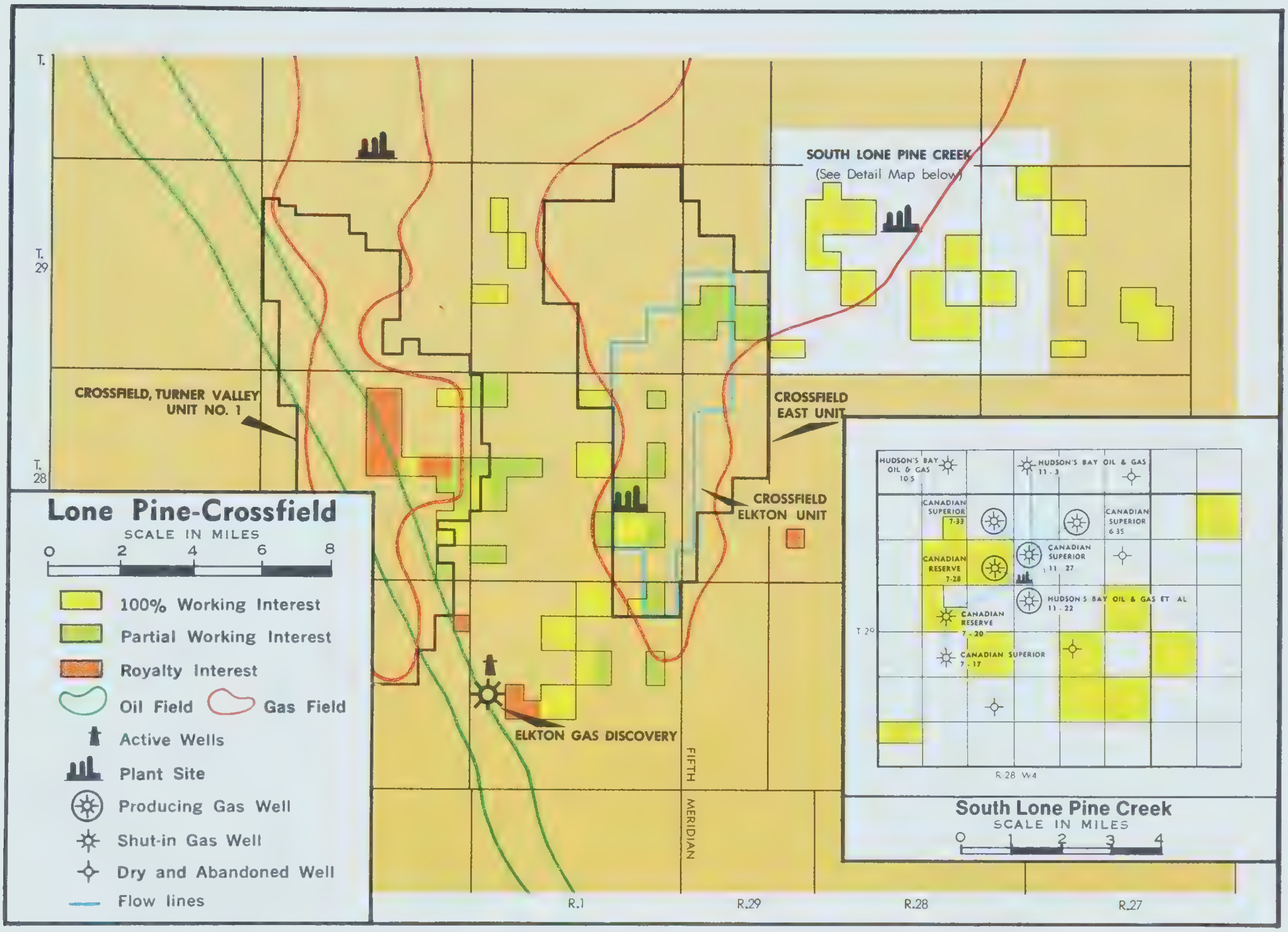
In the Sextet area, the Company and its 50 percent joint venturer were conducting a detailed seismic program at year-end on jointly owned lands to select an offset drillsite to a new gas discovery made in early 1971. The discovery well, Pacific Sextet c-22-K, in which Canadian Reserve has a 50 percent carried interest, was tested at flow rates up to 4 million cubic feet per day from the Slave Point formation. Canadian Reserve's land holdings in the vicinity of the discovery well include a 50 percent carried interest in 9,809 acres and a 50 percent working interest in 2,040 acres. The Company and its co-owner expect to drill the first follow-up well after completion of the seismic program on the 50 percent working interest lands.

The North Inga Field, discovered in November, 1969 and subsequently developed by three sour gas wells in which the Company owns a 10.8 percent interest, is not expected to go on production in the near future due to the high hydrogen sulphide content of the gas and the decreased demand and depressed prices for recovered sulphur.

Well completions and installation of gas gathering facilities were completed in April, 1971 to permit initial gas sales from the Inga Unit No. 3. The Company owns a 7.3 percent interest in this unit, located immediately north and adjacent to the Inga No. 1 oil unit, which encompasses 14,750 acres with indicated gross gas reserves of 84.5 billion cubic feet. Although the Company owns some 6.2 billion cubic feet of gas reserves under this unit, the reserves will be produced at low rates to enhance maximum recovery of associated oil from the oil zone underlying the Inga Unit No. 1.

Alberta

The Company owns a 100 percent interest in 6,551 undeveloped acres immediately east of the East Crossfield Unit located some 30 miles northeast of Calgary, Alberta. An additional 2,560 wholly owned acres in this area are included within the productive limits of the South Lone Pine Creek D-1 Gas Field.



Immediately south of the East Crossfield Unit, the Company owns a 100 percent interest in 2,407 acres, a 50 percent interest in 642 acres and a 1 percent royalty interest in 480 acres of undeveloped oil and gas rights. This area has increased potential as a result of 2 recent Elkton gas discoveries in Sections 18 and 19, Township 27, Range 1 W5M. Detailed seismic programs are planned by the Company in early 1972 to determine the limits of the potentially gas productive Elkton Formation underlying the Company's land holdings in the immediate area of the 2 discoveries.

In the Medicine Hat area of southern Alberta, the Company owns 3,200 gross (1,407 net) acres developed in 1970 by 5 gas wells completed in the Medicine Hat formation at a depth of 1,400 to 1,700 feet. During 1971 the Company participated for a 7 percent interest in the installation of gas gathering and pipeline facilities, which were completed in March, 1971 to market its developed gas reserves in the Medicine Hat field. During 1972 the Company plans to drill 3 additional wells on lands in which the Company owns interest within the proven productive limits of the field.

In addition to its developed land holdings, the Company owns a 100 percent interest in 21,541 and a 50 percent interest in 35,093 gross unexplored acres adjacent and to the southeast of the Medicine Hat field. The Company in association with a 50 percent interest partner, drilled 3 unsuccessful Medicine Hat exploratory wells during 1971 to evaluate a portion of these holdings. Additional drilling by the Company, or by farmout arrangements with others, will be necessary to evaluate the balance of these land holdings.

Canadian Reserve holds varying interests ranging from 18.75 to 25 percent in 11 oil wells in the Pembina area, producing from the Belly River formation at a depth of 3,500 feet. Engineering feasibility studies indicate a significant increase in ultimate oil recovery may be obtained by the installation of water-flood operations. The Company, together with the other operators in the area, initiated unitization negotiations in 1971 which are expected to be finalized to permit installation of facilities for water injection operations during the latter part of 1972.

Saskatchewan Heavy Crude Area

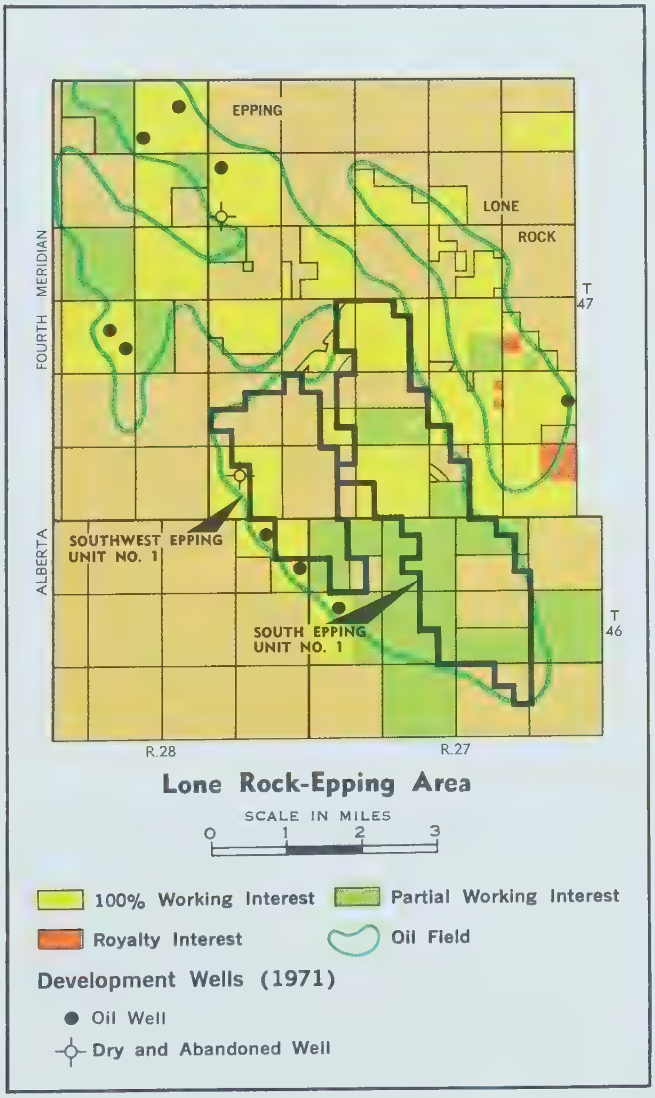
Saskatchewan

The Company owns 46,176 gross and 36,098 net acres of oil and gas rights in the heavy crude oil producing area of Lloydminster and Lone Rock, Saskatchewan, of which 21,819 gross and 17,618 net acres have been developed by 689 gross wells, including unit wells, representing 262 net wells to the Company. In addition, the Company owns 256,400 gross and 115,800 net acres located to the south of the Lone Rock area. These lands are located along and in proximity to the Lone Rock-Kerrobert pipeline system which provides access to market for any new oil discoveries.

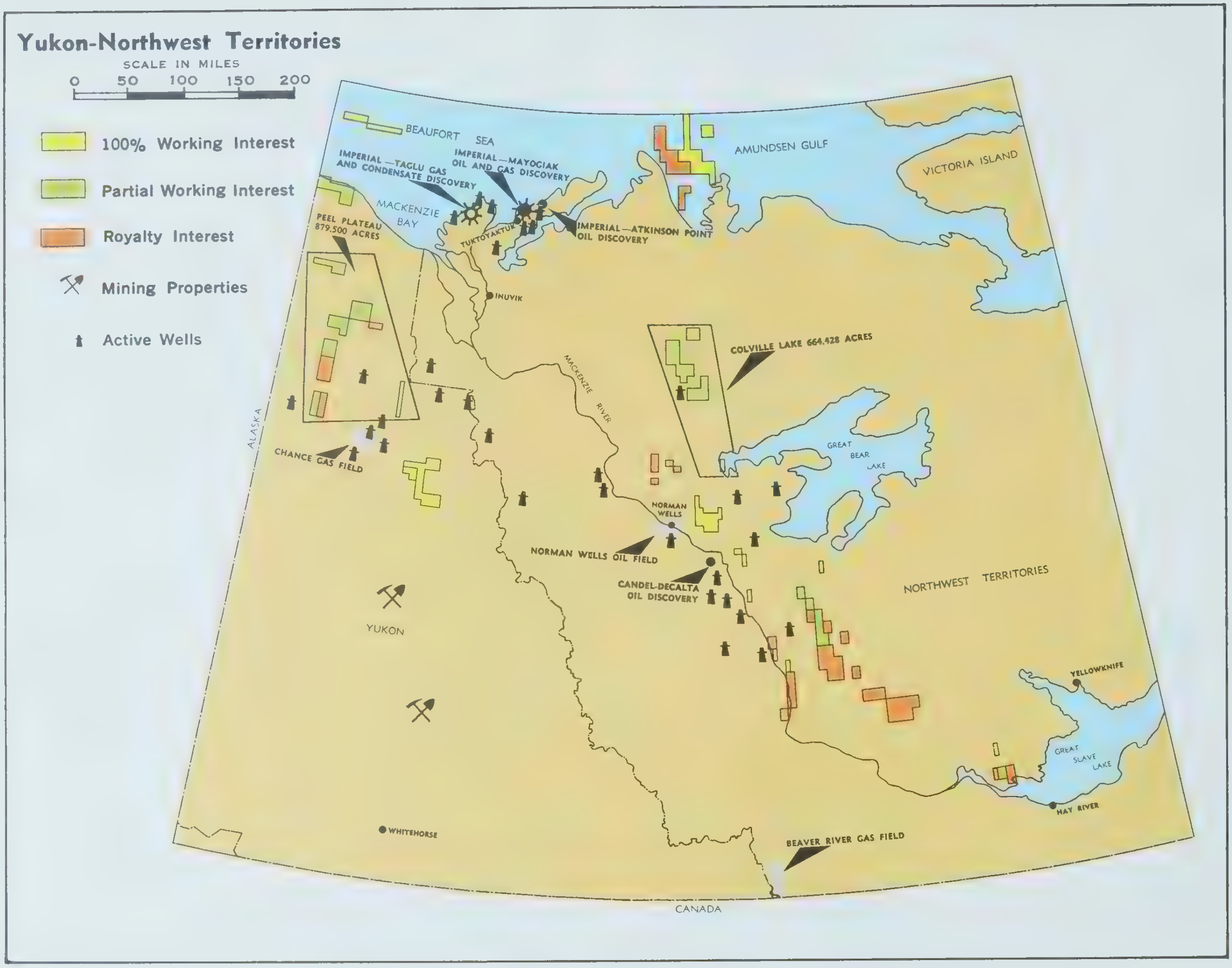
During 1971, Canadian Reserve continued to place emphasis on exploration for additional reserves and development of its properties in the heavy crude oil area of Saskatchewan in order to meet improved demand for asphalt-base heavy crude oil. The Company during the year participated in the drilling of 11 exploratory wells, 45 development wells and 14 stratigraphic tests on its land holdings in this area. As a result of the 1971 drilling program, 42 (10.2 net) development wells were completed as producers, 6 exploratory wells resulted in heavy crude oil discoveries, and 3 potentially productive oil bearing sands were discovered by the stratigraphic tests.

The most significant exploratory test well encountered 52 feet of heavy crude oil-bearing sand in the Dina Formation at a depth of 2,470 feet, in the Drake Lake area. The discovery well, 1-16-40-28 W3, in which the Company owns a 50 percent interest, was completed in July 1971 and was produced at rates in excess of 150 barrels of 14.1° gravity crude oil per day. The original rate was reduced to 20 barrels of oil per day at year-end due to water cuts in excess of 50 percent resulting from underlying water in the productive Dina Sand.

Subsequent to completion of the exploratory well, 3 additional offset development wells and 2 step-out exploratory wells were drilled prior to year-end. Three of the development wells and 1 step-out well were completed for production with the remaining step-out well awaiting completion at year-end. The 2 exploratory step-out wells were drilled to evaluate lands posted for sale which resulted in the acquisition by the Company and a 50 percent interest partner, in December 1971, of 2 drilling reservations totalling 9,600 acres and 2 leases totalling 564 acres. As a result of these acquisitions, the Company and its partner control 15,924 acres of oil and gas rights in this area. Additional development and exploratory drilling will be conducted during the first half of 1972 to determine the areal extent and to evaluate the sustained producibility of the Dina Sand.



As a result of the 1971 heavy crude oil exploration program, Canadian Reserve plans to participate in the drilling of some 25 development wells in 1972. In addition, the Company in association with other companies, plans a minimum exploratory drilling program for the year of 20 exploratory wells and 5 stratigraphic tests.

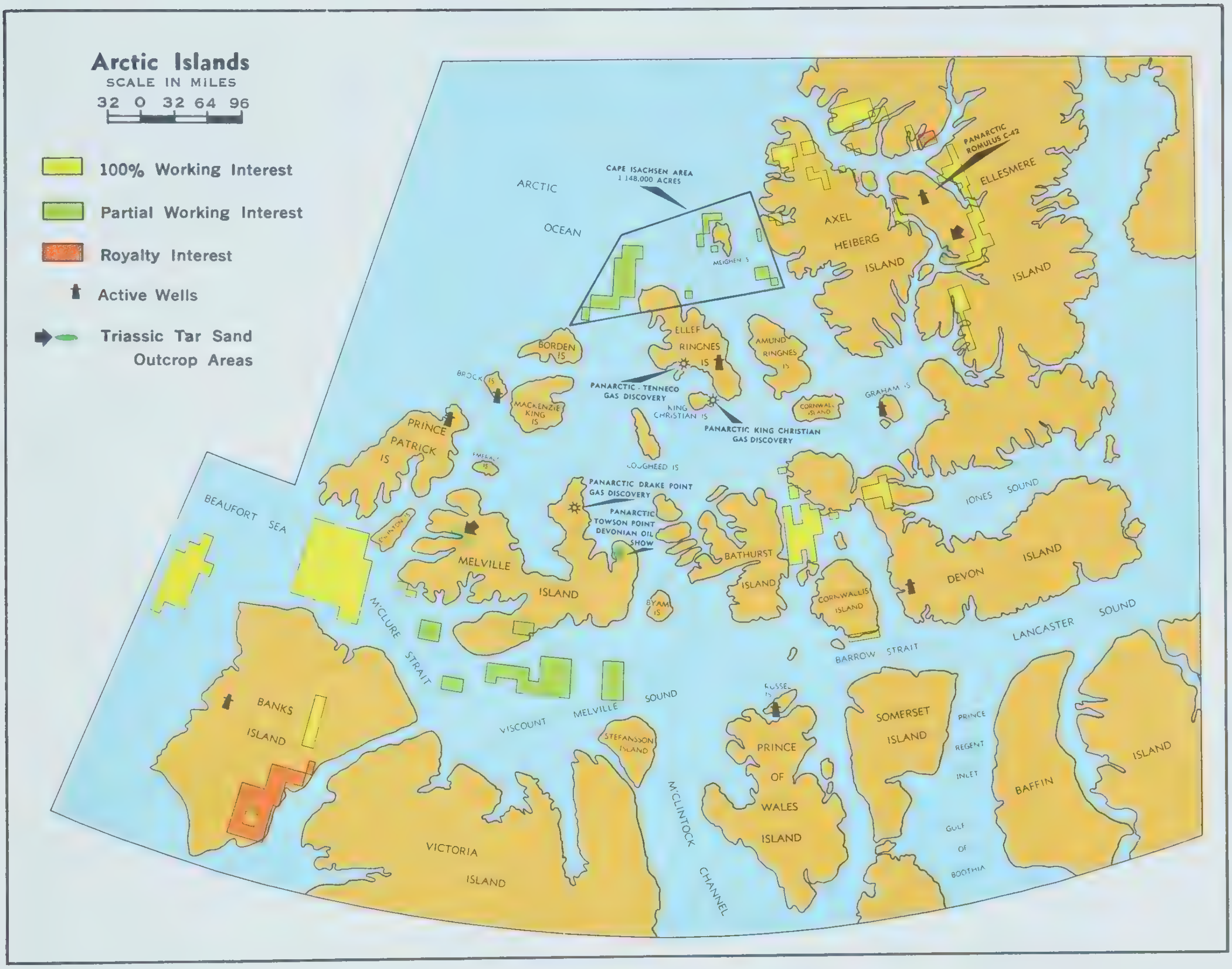


Yukon and Northwest Territories

The Company holds 4 million gross acres and 3 million net acres of exploratory oil and gas rights in the Yukon and Northwest Territories. In addition, overriding royalty interests are held on 2.8 million acres.

The acreage representation of Canadian Reserve and the drilling activity in the Yukon and Northwest Territories are shown on the map above. At year-end 1971 some 30 exploratory wells had been announced for drilling or were in the process of drilling by all operators throughout the total region, thus making it the most active frontier exploration area in Canada.

The Company during the summer season 1971 completed surface geologic exploration on 5 blocks of its land holdings totalling 139,865 gross acres located to the north and east of Norman Wells in the Northwest Territories. The surface geologic work was successful in delineating 3 surface structural closures which warrant extensive geophysical surveys now planned by the Company for the 1972-1973 winter season. Early in 1971 Canadian Reserve, in joint ownership with another 50 percent owner, completed a 3 well drilling program to evaluate Middle Devonian Reef prospects in the southern plains of the Northwest Territories. The venture was unsuccessful and certain lands were dropped leaving the joint venture with 310,158 gross acres out of an original 2.4 million acre position.



Arctic Islands

The Company holds 11,400,000 gross acres (10,064,000 net acres) of exploratory oil and gas rights in the Arctic Islands of Northern Canada. In addition, overriding royalties are held on 1,400,000 acres in this area.

The Company anticipates that the industry will spend in excess of $300 million, primarily in drilling, in the Arctic Islands through the period 1972 to 1976. In order to maintain a strong land position throughout this period of extensive exploration activity, Canadian Reserve will continue its independent exploration programs to evaluate certain of its more attractive land holdings, will participate in drilling where deemed advisable and will negotiate farmouts for exploration work by others.

In the Eastern Arctic where the Company is particularly well represented, the drilling of an estimated 10 wells has been announced by other operators.

A proposal for a 40 million dollar multiple well drilling program throughout the Arctic Islands, known as Drillarctic, has been presented to industry.

This program would provide for the drilling of up to 15 wells over the next 2 years, if fully subscribed. The wells planned to be drilled would greatly assist the Company in evaluating its extensive holdings in the Arctic Islands.

The Company is supporting this exploration project by making available for farmout through Drillarctic certain permit lands on Devon Island. The program will become effective if the necessary drilling funds are committed by industry.

Eastern Canada Offshore

The offshore regions of Eastern Canada gained importance to the industry in 1971 because of the recently announced discovery by Mobil Oil Canada, Ltd. on Sable Island and the close proximity of the area to major refining facilities and marketing outlets along the eastern seaboard of North America.

The Mobil discovery established the presence of some 17 oil and gas-bearing zones and further drilling by Mobil is in progress.

Canadian Reserve owns a 100 percent interest in 6 million acres in the Gulf of St. Lawrence and offshore Nova Scotia. During 1971, a 1,200 mile marine seismic program was conducted by the Company as a preliminary evaluation of these substantial land holdings. As a result of the seismic program, preferred lands will be retained and the Company will proceed with further evaluation of these retained lands either for its own account or pursuant to satisfactory farmout arrangements with other operators.

During 1971, several major oil and gas companies acquired exploratory permits in deep waters offshore Eastern Canada, to the extent that all lands out to the approximate 10,000 foot water depth had been acquired along Canada's East Coast from George's Bank in the south to Davis Strait in the north. Interpretation of a thick sequence of prospective sediments seaward from the Continental Shelf, coupled with advancements anticipated in the next 5 years in deep water drilling and technology, provided justification for attainment of land holdings in these deep water areas.

The Company joined another independent Canadian company as a one-third owner to gain land representation on this trend. Applications have been made for permits totalling 4.8 million gross (1.6 million net) acres off the south end of the Grand Banks and 14.7 million gross (4.9 million net) acres off the east coast of Labrador. Geophysical exploration is planned during the next 2 years on these land holdings to meet exploratory commitments.

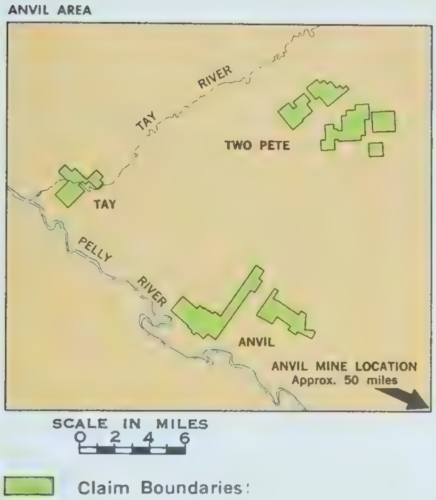
Canadian Reserve-Halbouty Program

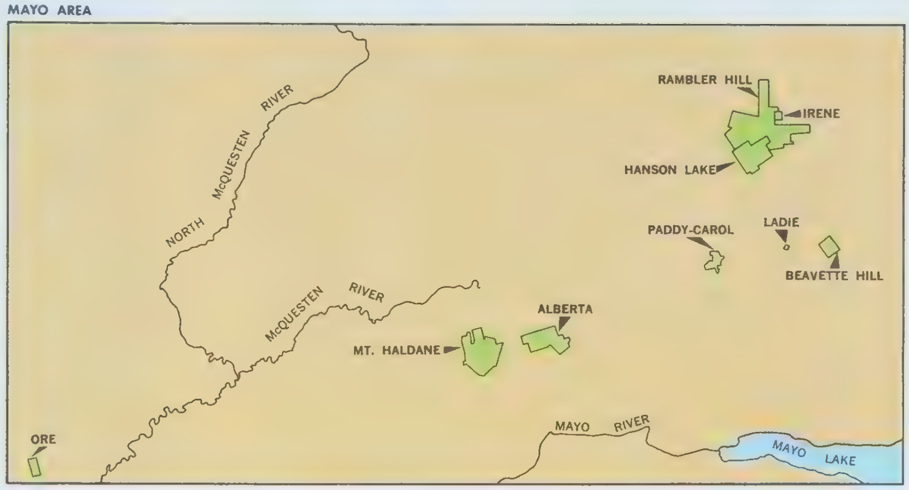
Operations within the Canadian Reserve-Halbouty exploration program were largely limited in 1971 to commitments made on behalf of the program prior to termination on August 1, 1970. Included in the operations were 2 farmout wells which were drilled at Bow Island and Hays in southern Alberta and a deep Beaverhill Lake test in the Berland River area of western Alberta. The farmout wells were dry and abandoned. At year-end, the Canadian Reserve et al Berland 7-6-57-23 W5 well, in which the program owns a 29.8 percent interest, was drilling at a depth of 12,900 feet toward the projected depth of 14,100 feet to test the Beaverhill Lake formation.

Seismic programs were conducted on a 14,720-acre reservation at Seabolt Creek in the foothills of Alberta and on a 32,632-acre permit at Beatton River in the structural fold belt of British Columbia.

Canadian Reserve's interest in properties within the program is 22 percent after recovery of exploratory costs. The Canadian Reserve-Halbouty program held interests in 88,632 gross (12,343 net) acres of permit and drilling reservation lands and 122,838 gross (30,658 net) acres of leases, at December 31, 1971, in the western provinces of Canada.

Active Mining Areas — Yukon Territory





Heavy Minerals Exploration

During 1971, the Company continued a limited heavy minerals exploration program with emphasis on the Mayo and Anvil areas of the Yukon Territory.

Underground drifting and diamond drilling operations were performed at the Paddy Carol mine, Mayo area, where the Company confirmed the presence of mineral veins. Further drilling is required to establish the extent and magnitude of the mineralized veins.

Canadian Reserve, in the greater Mayo region, performed geophysical surveys, surface trenching and prospecting operations during 1971 which led to the discovery of local anomalies and 1 surface sulfide vein of particular interest. Additional claims were acquired in preferred areas as a result of the 1971 exploration work and extensive drilling and detailed geophysical surveys are planned for 1972. The Company has varying interests in 292 claims in the Mayo area.

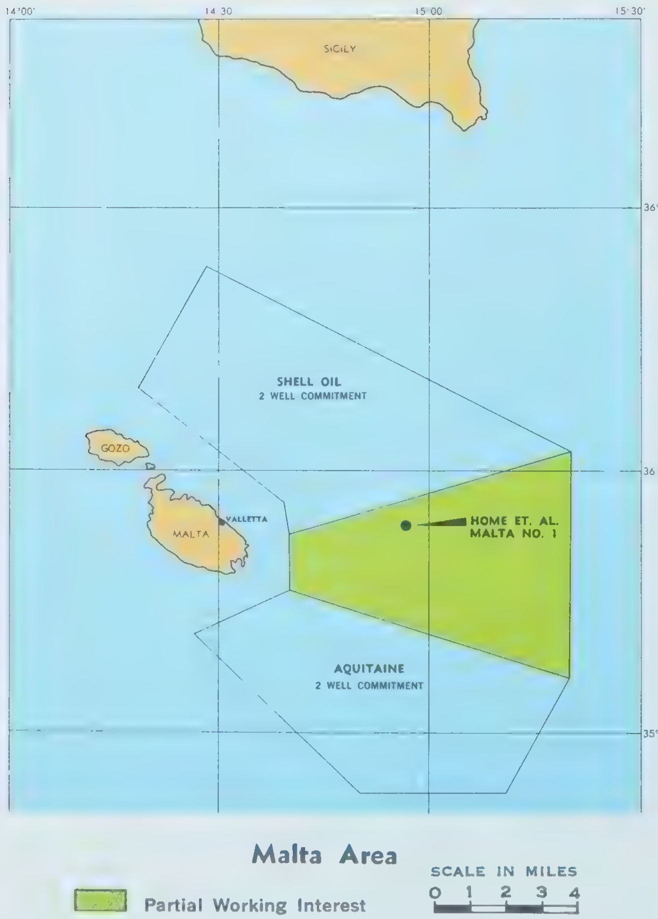
In the Anvil area, the Company together with partners, continued exploration operations involving gravity surveys, geochemical surveys, geological field work and core drilling of preferred anomalies. Sulfide mineralization was confirmed in one core hole. Further drilling and detailed geophysical surveys on preferred claim blocks will be conducted during the summer of 1972.

	No. of Claims	ACRES Gross	ACRES Net
Yukon			
Mayo	295	14,790	2,958
Anvil	325	16,225	1,622
N.W.T.			
Snowbird . . .	1	16,330	16,330
Bathurst . . .	216	11,038	1,310
Saskatchewan			
Pelican Lake . .	1	640	640
TOTAL		59,023	22,860

Foreign Operations

In early January, 1972, Canadian Reserve acquired 90 percent of the outstanding shares of Blue Star Petroleums Malta Limited and thereby obtained a 4.5 percent interest in a Production License covering 426,322 gross acres located immediately east of the Island of Malta in the Mediterranean. The lands overlie one of the Continental Shelf areas of the Mediterranean, one of the least explored offshore areas of the world, which offers excellent prospects for oil and gas accumulations in the Tertiary and Mesozoic sediments. A group of 4 Canadian companies and 1 Italian company are the other participants in the Production License granted by the government of Malta.

Shell Oil and Aquitaine were granted offset Production Licenses to the north and south, respectively, and each company has committed to drill 2 test wells.



Malta Area

Winter drilling operations in the Berland River area.

A 698-mile marine seismic survey was conducted on the lands in late 1971, which resulted in the selection of an exploratory wellsite in early December. Home Oil Malta Ltd., as operator, contracted with Zapata North Sea, Inc., to drill the exploratory well, using the semi-submersible drilling vessel "Louisiana".

The exploratory well, Home et al Malta No. 1, located approximately 20 miles east of Malta in 300 feet of water, was spudded January 2, 1972. The exploratory test well is programmed to evaluate all potential horizons down to and including the Triassic dolomite at a projected depth of 10,000 feet.

OPERATIONS

Drilling

During 1971 the Company participated in drilling 93 wells. Exploratory completions totalled 35 gross wells, 3 of which were carried interest wells drilled at no cost to the Company, and 4 were farmout wells where the drilling costs were borne by farmees in exchange for an interest in the lands on which the wells were drilled. Included in the total were 4 gross exploratory wells in British Columbia, 16 in Alberta, 11 in Saskatchewan and 4 in the Northwest Territories.

The Company's interest in the gross exploratory completions were equivalent to 15.4 net wells, of which 5.0 resulted in discoveries or field extensions. In addition to the exploratory wells, the Company participated in the drilling of 14 gross (7.0 net) stratigraphic tests in the heavy crude area of Saskatchewan.

Of the 58 gross development wells the Company participated in during 1971, 5 were drilled in British Columbia, 2 in Alberta and 51 in Saskatchewan. The Company's net interest in these wells was equivalent to 13.2 net wells, of which 10.9 net wells resulted in oil well completions.

	Gross Wells		Net Wells	
	1971	1970	1971	1970
Development				
Oil . . .	53	23	10.9	10.6
Gas . . .	—	6	—	3.0
Dry . . .	5	3	2.3	1.2
	58	32	13.2	14.8
Exploration				
Oil . . .	9	5	3.9	3.0
Gas . . .	3	1	1.1	—
Dry . . .	23	35	10.4	9.9
	35	41	15.4	12.9
Total wells . .	93	73	28.6	27.7
Average Well Participation			30.8%	37.9%
Success Ratios				
Development	91.4%	90.6%		
Exploration	34.3%	14.6%		

Production

Net production of oil and natural gas liquids during 1971 averaged 5,777 barrels per day, a 5.5 percent increase over the 1970 net production of 5,474 barrels per day. Net sales of gas in 1971 increased 15.6 percent to 14,604 MCF/D over the 1970 net sales of 12,637 MCF/D.

A further increase of some 4,600 MCF/D is expected in 1972 with a full year's production from the Company's property interests in the South Lone Pine Creek Field, Alberta.

Net sulphur production during 1971 amounted to 119 long tons per day, down five long tons per day from the 1970 figure of 124 long tons per day. Depressed sulphur prices continued during 1971 as the Company sold 27,965 long tons of sulphur for a net-back price of $5.71 per long ton.

(Barrels — net after deducting royalties)

	1971	1970
BRITISH COLUMBIA		
Blueberry	98,000	93,000
Inga	133,000	94,000
	231,000	187,000
ALBERTA		
Crossfield	41,000	41,000
Crossfield East . . .	71,000	78,000
Medicine River . .	172,000	184,000
Pembina	64,000	44,000
Other fields . . .	92,000	68,000
	440,000	415,000
SASKATCHEWAN		
Cantuar	47,000	45,000
East Carnduff . .	17,000	18,000
Flat Lake	25,000	25,000
Forget	23,000	23,000
Lloydminster . . .	1,111,000	1,094,000
Steelman	80,000	57,000
Other fields . . .	36,000	37,000
	1,339,000	1,299,000
MANITOBA		
North Virden . . .	77,000	76,000
Other fields . . .	21,000	21,000
	98,000	97,000
TOTAL	2,108,000	1,998,000

Transportation

In the heavy crude area of Saskatchewan, Canadian Reserve and Murphy Oil Company Ltd. own the 100 mile Lone Rock-Kerrobert pipeline system which transports crude oil-condensate blend from the producing areas at Lone Rock and Marshall south to Kerrobert into the interprovincial pipeline for delivery into Ontario and the Northwestern United States markets. Since the start-up of the system on April 1, 1971 some 1,600,000 barrels of blend have been transported to Kerrobert for delivery into the interprovincial pipeline with peak deliveries during October of 7,320 barrels per day. Canadian Reserve recently acquired an additional 7.5 percent interest in the system, increasing its ownership to 47.5 percent. Future pipeline operations are expected to add to the Company's income as oil deliveries to the system increase as a result of exploration efforts and development of additional heavy crude reserves by the Company and other operators in the area.

Lone Rock-Kerrobert Pipeline opening ceremonies. P. C. McDonald, Hon. A. C. Cameron, R. C. Katz, P. D. Meadows.

Canadian Reserve owns a 21.67 percent interest in a 72 mile pipeline system in Northeast British Columbia which transports crude oil from the Aitken Creek, Blueberry and Inga Fields to Taylor Flats, British Columbia where the system connects with other pipeline systems to West Coast refineries. The jointly owned pipeline system, capable of handling 15,000 barrels per day, had an average daily throughput of 11,840 barrels in 1971 for a 2,080 barrel, or 21 percent increase, over 1970. Although throughput increased in 1971, net income to the Company for the two annual periods remained essentially equal at $85,000 due to annual tariff adjustment.

The operator of the system has applied for an alternate tariff structure which, if approved, would increase net operating income with future expected increases in crude oil throughput.

Natural Gas Processing

The Company owns varying interests (ranging from 0.67 to 33.3 percent) in five natural gas processing plants in Alberta.

The recently completed South Lone Pine Creek gas processing plant and related facilities, in which Canadian Reserve owns a 33.3 percent interest, was built at a cost of $5.5 million ($1.85 million to the Company's one-third interest). Sales from the plant commenced on December 7, 1971. The new facility provides a market for the sour gas reserves developed over the prior three years in the Devonian D-1 Formation underlying the Company's acreage in the South Lone Pine Creek Field. Upon development of additional reserves or increased demand for gas sales, the present 30 million cubic feet per day plant may be increased to 40 million cubic feet per day at a small incremental cost. Forecasts indicate the Company will produce, process and sell approximately 1.7 billion cubic feet of gas, 45,000 barrels of condensate and 9,400 long tons of sulphur from its property interests in the South Lone Pine Creek Field during 1972. (See map on page 7.)

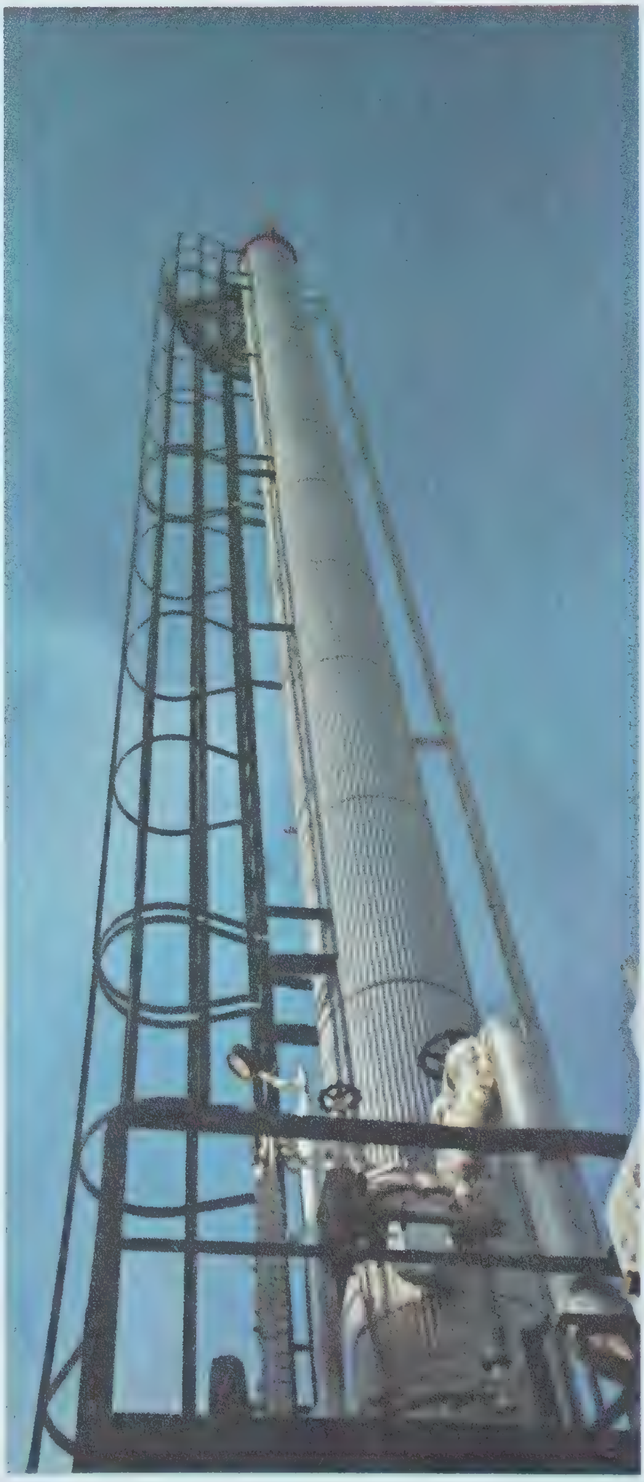
The most significant plant interests of the Company are in the East Crossfield area where Canadian Reserve owns a 12 percent interest in gas processing facilities capable of handling 110 million cubic feet per day of sales gas from the Crossfield D-1 and Elkton units. In addition to its ownership in the gas processing facilities, the Company owns a 7.7 percent interest in the D-1 sulphur recovery facilities and a 15.8 percent interest in the Elkton liquid recovery facilities.

During 1971 the Company produced and sold from its Crossfield unit interests through the jointly owned processing facilities 2,540,200 MCF of gas, 71,264 barrels of condensate and produced 43,315 long tons of sulphur.

(Mcf — net after deducting royalties)

	1971	1970
BRITISH COLUMBIA		
Blueberry	297,000	293,000
Inga	253,000	39,000
Other fields . . .	5,000	5,000
	555,000	337,000
ALBERTA		
Cessford	235,000	319,000
Crossfield	850,000	747,000
Crossfield East . .	2,540,000	2,290,000
Medicine River . .	630,000	758,000
Medicine Hat . . .	130,000	—
Viking Kinsella . .	97,000	55,000
Other fields . . .	172,000	50,000
	4,654,000	4,219,000
SASKATCHEWAN		
Lloydminster . . .	89,000	23,000
Other fields . . .	32,000	34,000
	121,000	57,000
TOTAL	5,330,000	4,613,000

Regenerator Tower in Canadian Reserve's new South Lone Pine Creek gas processing plant.



FINANCIAL

Gross revenue for 1971 increased $1,234,388 or 24.1% over that for the previous year. The increase in the price of crude oil was responsible for $633,000 of this amount, and increased volumes of crude oil, liquids and natural gas added another $271,000. The Lone Rock-Kerrobert pipeline, in its first year of operation, added $376,000 to gross revenue. The only disappointing sales factor during 1971 was the decrease in sulphur sales volumes and prices, resulting in a decrease from 1970 of $138,000 in gross revenue.

Cash flow increased 28.1% over the 1970 figure of $2,934,639 to $3,759,544 for 1971. Cash flow consists of earnings before depletion, depreciation, deferred income taxes and extraordinary items.

Earnings of $1,692,995, before extraordinary item, increased 47% over 1970. Certain properties were sold during 1969 and deferred taxes of $642,717 were set up in that year on the gain on sale. As the proceeds of the sale were received in 1970 and 1971, the related deferred taxes were reversed resulting in an extraordinary item of $590,808 in 1970 and $51,910 in 1971.

As the result of the extraordinary item, net earnings for 1971 of $1,744,905 were only slightly above the 1970 total. The substantial increase in gross revenue was partially offset by increases in expenses and deferred income taxes. The main expense increase was in lease operating which was up $488,000 over 1970 due mainly to an active well workover program during the year.

Working capital remained at a satisfactory level of $2,038,631 at December 31, 1971, down slightly from the previous year-end. The bank production loan policy is flexible enough to allow the Company to maintain a minimum amount of cash on hand and therefore keep interest expense to a minimum.

Effective January 1, 1971, the Company adopted the Full Cost Method of Accounting for exploration costs. In prior years exploration costs, such as dry holes, rentals and related administrative costs, were charged against income as incurred. With the increased exploration activity of the Company in recent years, management felt that this was no longer the most suitable method of accounting. Therefore, the Company joined an increasing number of other oil and gas companies that use the full cost method of accounting.

The 1971 statement of earnings has been prepared to show the comparative figures for 1970 both before and after adoption of this accounting change. The major difference is the inclusion in property and equipment on the balance sheet of lease rentals, dry holes, leases surrendered and a portion of general and administrative expenses and the removal of those items from the statement of earnings. This decrease in expense is partially offset by an increase in depreciation and depletion which is the result of an increase in the property and equipment base upon which these expenses are calculated.

The Company received $5,963,337 as net proceeds from the sale of 1,000,000 shares during 1971. In order to take advantage of the difference in interest rates, the funds were invested until needed for exploration and development, by prepaying the production loans with the bank. As property and equipment expenditures increased, the Company drew down new loans from the bank which totalled $1,000,000 to the end of 1971.

For the year 1971, Canadian Reserve expended $6,608,426 for additions to property and equipment. The Company spent $1,018,000 on drilling wells, $451,000 on well and lease equipment, $725,000 for geological and geophysical costs and $295,000 for leasehold acquisitions. The cost of non-lease facilities reached a new high of $3,336,000 of which $1,717,000 was spent on the Lone Pine Creek Plant and $1,437,000 on the Lone Rock-Kerrobert pipeline. Delay rentals and general and administrative expenses related to exploration, are capitalized under full cost and totalled $784,000.

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970 Pro forma Note 1	1970 As previously reported
Revenue			
Gross operating revenue	$ 6,221,258	$5,062,330	$5,062,330
Other	126,193	50,733	192,412
	6,347,451	5,113,063	5,254,742
Expenses			
Lease operating	1,851,431	1,363,303	1,363,303
Non-producing lease rentals	—	—	215,010
Dry holes and abandonments	—	—	225,403
Permits and leases surrendered	—	—	39,512
General and administrative	512,978	408,589	683,158
Depreciation	614,763	463,070	371,740
Depletion	1,051,786	994,616	760,877
Interest on long term debt	136,076	241,133	241,133
Other	87,422	165,399	165,399
	4,254,456	3,636,110	4,065,535
Earnings before income taxes and extraordinary item	2,092,995	1,476,953	1,189,207
Provision for deferred income taxes (Note 3)	400,000	326,000	343,300
Earnings before extraordinary item	1,692,995	1,150,953	845,907
Extraordinary item - Deferred taxes on sale of oil and gas rights recovered in 1971 and 1970	51,910	590,808	590,808
Net earnings for the year	1,744,905	$1,741,761	1,436,715
Retained earnings, beginning of year	9,349,152		7,912,437
Retained earnings, end of year	$11,094,057		$9,349,152
Earnings per share:			
Earnings before extraordinary item	$ .18	$ .13	$ .10
Extraordinary item	.01	.07	.07
Net earnings for the year	$ .19	$ .20	$ .17

(See accompanying notes)

	1971	1970
CURRENT		
Cash	$ 576,994	$ 1,461,527
Accounts receivable	1,589,340	901,304
Inventory of sulphur and crude oil, at estimated cost	417,629	171,650
Materials and supplies, at average cost	250,644	252,908
Prepaid expenses	20,076	33,227
Total current assets	2,854,683	2,820,616
SUNDRY INVESTMENTS AND DEPOSITS, at cost	237,587	237,147
PROPERTY AND EQUIPMENT (Note 1)		
Oil and gas properties	21,694,845	19,505,463
Production equipment	7,937,119	7,653,685
Plants, pipelines and other equipment	6,527,416	3,204,638
	36,159,380	30,363,786
Accumulated depletion	6,447,247	5,695,882
Accumulated depreciation	4,166,336	3,712,535
	10,613,583	9,408,417
	25,545,797	20,955,369
	$28,638,067	$24,013,132

(See accompanying notes)

	1971	1970
CURRENT		
Accounts payable and accrued expenses	$ 816,052	$ 528,284
DEFERRED INCOME-PRODUCTION PAYMENTS	—	1,919,165
BANK PRODUCTION LOANS (Note 2)	1,000,000	2,800,000
DEFERRED INCOME TAXES (Note 3)	957,300	609,210
SHAREHOLDERS' EQUITY		
Share capital (Note 4) -		
Authorized - 20,000,000 common shares having a nominal or par value of $1.00 each		
Issued - 9,516,226 shares (1970 - 8,516,226)	9,516,226	8,516,226
Contributed surplus	5,254,432	291,095
Retained earnings	11,094,057	9,349,152
	25,864,715	18,156,473
	$28,638,067	$24,013,132

On behalf of the Board:

John R. McMillan Director.

Paul D. Meadows Director.

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Source of funds		
Net earnings for the year	$1,744,905	$ 1,436,715
Depletion, depreciation, deferred income taxes and other non-cash items, net	2,012,230	872,149
Cash earnings from operations	3,757,135	2,308,864
Bank production loans	1,000,000	2,800,000
Proceeds from sale of property and equipment	353,858	—
Long term receivable transferred to current assets	—	100,000
Net proceeds from sale of common shares	5,963,337	—
Other	—	4,458
	11,074,330	5,213,322
Application of funds		
Additions to property and equipment	6,608,426	2,981,673
Acquisition of investments	—	103,917
Payment of principal on production payments and bank production loans	4,719,165	1,740,634
Other	440	—
	11,328,031	4,826,224
Increase (decrease) in working capital	(253,701)	387,098
Working capital, beginning of year	2,292,332	1,905,234
Working capital, end of year	$ 2,038,631	$ 2,292,332

YEARS ENDED DECEMBER 31, 1971 AND 1970

	1971	1970
Balance, beginning of year	$ 291,095	$ 291,095
Proceeds of shares issued during the year over par value	5,040,000	—
	5,331,095	291,095
Share issue expenses	76,663	—
Balance, end of year	$ 5,254,432	$ 291,095

(See accompanying notes)

Notes to Financial Statements

DECEMBER 31, 1971

1. Accounting Practices

Prior to 1971 the Company followed the practice of expensing carrying charges on non-producing acreage as incurred and non-productive drilling, exploration and property costs at the time a project was abandoned. Depletion of producing property costs was provided on a unit of production method based on estimated proven reserves of oil and gas for each producing area.

Commencing January 1, 1971 the Company adopted the full-cost method of accounting wherein all costs related to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and depleted on the composite unit of producton method based on total estimated proven reserves. Depreciation is provided on production equipment on the composite unit of production method and on plants, pipelines and other equipment on the straight line method.

The change in accounting practice was not made retroactively, but the statement of earnings for 1970 has been restated for comparative purposes on the same basis as the 1971 accounts and is presented herein as "1970-Pro forma".

Property and equipment are carried at cost except for certain oil and gas properties which were devalued in 1962 by $8,312,000 based on appraisals by independent consultants and by the Company.

2. Bank production loans

Bank production loans are secured by certain producing properties and repayments are scheduled to take place during 1973 to 1976.

3. Income taxes

For income tax purposes, the Company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowance (depreciation) in amounts which may exceed the related depletion and depreciation provisions reflected in the accounts. As a result, income taxes are not payable for the year ended December 31,1971 and at that date accumulated expenditures remain to be carried forward and applied against future taxable income as follows:

Drilling, exploration and lease acquisition costs	$ 878,000
Undepreciated capital cost	$8,061,000

The Company has claimed capital cost allowance (depreciation) for income tax purposes in excess of the related depreciation provided in the accounts to the end of 1971 and deferred income taxes have been provided thereon.

Although management has accepted the tax allocation basis of accounting for depreciable assets, it shares the view, in common with many other companies in the oil and gas industry in Canada, that tax allocation is not appropriate in respect of drilling, exploration and lease acquisition costs. Accordingly, no provision has been made for deferred taxes on timing differences involving such costs. If the tax allocation basis of accounting had been followed for these timing differences the deferred income tax provision would have been increased and net earnings for the year would have been decreased by $439,000 - $.04 per share ($241,000 - $.03 per share in 1970 pro forma).

The accumulated income tax reductions related to all timing differences in the current and prior years amount to approximately $4,658,000 at December 31, 1971 of which $957,300 has been provided in the account.

4. Share capital

In February, 1971 the Company issued to an underwriter 1,000,000 common shares for a net consideration of $6,040,000 (after underwriting discount of $460,000). The par value of the shares issued of $1,000,000 was credited to share capital and the balance, $5,040,000 to contributed surplus. Share issue expenses of $76,663 have been charged to contributed surplus.

Under the employees' stock option plan, options were granted during the year to officers and employees to purchase 135,000 common shares at $4.95 per share exercisable to 1981. At December 31, 1971, 65,000 common shares were reserved for the granting of future options.

5. Commitments and contingencies

In order to retain its interest in undeveloped oil and gas properties, the Company will be required to pay lease rentals which, based on the holdings on December 31, 1971, will amount to approximately $400,000 during 1972.

The Company has deposited with governmental authorities non-interest bearing demand notes aggregating $3,458,000 at December 31, 1971 as security for the performance of work obligations in respect of certain exploratory rights.

The Company has guaranteed letters of credit of other companies in the amount of $560,500.

6. Statutory information

The remuneration paid to directors and senior officers of the Company during 1971 (including the five highest paid employees) amounted to $179,660.

AUDITORS' REPORT

To the Shareholders of
Canadian Reserve Oil and Gas Ltd.

We have examined the balance sheet of Canadian Reserve Oil and Gas Ltd. as at December 31, 1971 and the statements of earnings and retained earnings, contributed surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change in accounting practice referred to in Note 1.

Calgary, Canada.
February 1, 1972.

CLARKSON, GORDON & CO.
Chartered Accountants

Five Year Summary

	1971	1970	1969	1968	1967
FINANCIAL	*				
Gross Revenue	**$6,347,451**	5,254,742	5,342,708	4,698,512	3,782,854
Cash Flow	**$3,759,544**	2,801,749	3,265,585	2,739,580	2,180,106
Depreciation and Depletion . . .	**$1,666,549**	1,132,617	1,087,648	972,791	758,727
Deferred Taxes	**$ 400,000**	343,300	214,000	—	—
Extraordinary Items	**$ (51,910)**	(590,808)	(1,113,233)	—	—
Net Earnings	**$1,744,905**	1,436,715	2,756,740	1,545,661	1,011,132
Per Share					
Gross Revenue	**$ .67**	.60	.63	.55	.44
Cash Flow	**$ .40**	.33	.38	.32	.26
Earnings - before Extraordinary Items	**$ .18**	.10	.19	.18	.12
Net Earnings	**$ .19**	.17	.32	.18	.12
Property and Equipment Additions .	**$6,608,426**	2,981,673	2,337,041	944,675	3,118,285
Working Capital	**$2,038,631**	2,292,332	1,923,594	1,532,369	765,668
Outstanding Shares	**9,516,226**	8,516,226	8,516,226	8,516,226	8,520,033
OPERATING					
Oil and Gas Liquid Sales - Barrels .	**2,108,450**	1,997,891	1,895,867	1,791,688	1,563,204
- Barrels per day	**5,777**	5,474	5,194	4,895	4,283
Gas Sales - Mcf	**5,330,410**	4,612,591	5,663,824	3,648,568	3,049,742
- Mcf per day	**14,604**	12,637	15,517	9,969	8,355
Sulphur Sales - Long Tons . . .	**27,965**	38,016	34,137	10,862	—
- Long Tons per day . . .	**77**	104	94	—	—
Wells Drilled - Gross (Net)					
Oil	**62(15)**	28(14)	41(7)	31(3)	65(15)
Gas	**3(1)**	7(3)	5(1)	11(1)	12(2)
Dry	**28(13)**	38(11)	9(1)	12(3)	19(9)
Total	**93(29)**	73(28)	55(9)	54(7)	96(26)

*Figures for 1971 are on the full cost method of accounting. Prior years have not been restated to this method.

Corporate Information

DIRECTORS

John R. McMillan, Los Angeles
President and Chief Executive Officer,
Reserve Oil and Gas Company.

Marco F. Hellman, San Francisco
Vice-Chairman of the Board,
Dean Witter & Co. Incorporated.

Howard C. Pyle, Los Angeles
Petroleum Investments.

Newton T. Bass, Apple Valley
Chairman of the Board,
Reserve Oil and Gas Company.

Paul D. Meadows, Calgary
President,
Canadian Reserve Oil and Gas Ltd.

Maclean E. Jones, Q.C., Calgary
Partner,
Saucier, Jones, Black, Gain, Stratton & Laycraft.

B. J. Westlund, Lake Oswego, Oregon
Retired Businessman.

E. Davie Fulton, P.C., Q.C., Vancouver
Partner,
Fulton, Cumming, Richards, Underhill, Fraser, Skillings

OFFICERS

Chairman of the Board and Chief Executive Officer
John R. McMillan, Los Angeles.

President
Paul D. Meadows, Calgary.

Vice- President
Donald M. McDonald, Calgary.

Vice - President
R. Bruce Bailey, Calgary.

Secretary - Treasurer
David W. Talbot, Calgary.

Assistant Secretary - Treasurer
Grant D. Richards, Calgary.

Assistant Secretary - Treasurer
Harold F. Green, Los Angeles.

HEAD OFFICE
639 - 5th AVENUE S.W.,
Calgary 1, Alberta.

AUDITORS
CLARKSON GORDON & CO.,
Calgary, Alberta.

REGISTRAR
GUARANTY TRUST COMPANY OF CANADA LTD.,
Calgary, Alberta

TRANSFER AGENT
GUARANTY TRUST COMPANY OF CANADA LTD.,
Calgary, Alberta; Vancouver, British Columbia;
Winnipeg, Manitoba; Toronto, Ontario;
Montreal, Quebec.

STOCK EXCHANGE LISTINGS
TORONTO STOCK EXCHANGE
MONTREAL STOCK EXCHANGE

FOOTHILL PRINTERS LIMITED - CALGARY
LITHOGRAPHED IN CANADA